

Message Text

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ORIGIN COME-00

INFO OCT-01 EUR-12 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 /126 R

DRAFTED BY COM/BIEPR/OITP/TNAD/MMALASHEVICH
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STR/DMCMINN
STATE/EB/EWT/HCLARKE
STATE/EUR/EE/GBOUTIN (SUBS.)
TREASURY/PMCCARTHY
AGRIC/GHARVEY
LABOR/HFIEKOWSKY

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FM SECSTATE WASHDC
TO AMEMBASSY BUDAPEST
INFO USMISSION GENEVA

C O N F I D E N T I A L STATE 213657

E.O. 11652: GDS

TAGS: ETRD, HU

SUBJECT: VALUE OF U.S. TARIFF OFFER TO HUNGARY

REF: BUDAPEST 3101

1. INFORMATION REQUESTED BY POST IN REFTEL FOLLOWS.
EMBASSY MAY SUPPLY FOLLOWING TEXT TO NYERGES AS REQUESTED
REFTEL. POST SHOULD NOTE THAT, UNLESS EXCEPTED, TARIFFS
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ON INDUSTRIAL PRODUCTS WERE SUBJECT TO FORMULA OR GREATER
THAN FORMULA REDUCTIONS, WHILE THOSE ON AGRICULTURAL ITEMS
WERE REDUCED ACCORDING TO GROUP AGRICULTURE'S REQUEST/OFFER
PROCEDURES. UNDER THOSE PROCEDURES THE UNITED STATES
DETERMINED THAT REDUCTIONS IN SPECIFIC AGRICULTURAL TARIFFS
WOULD GENERALLY BE CONSIDERED ONLY IF REQUESTED BY THE
PRINCIPAL SUPPLIER OF THE PRODUCT. THE U.S. OFFER ON

ELIGIBLE ITEMS HAS BEEN EXTREMELY FORTHCOMING AND CONSISTS OF THE FOLLOWING:

2. THE U.S. OFFER COVERS 39.3 MILLION DOLLARS IN 1976 DUTIABLE U.S. IMPORTS FROM HUNGARY. IN THE AGRICULTURAL AREA, HUNGARY EXPORTED APPROXIMATELY 24.2 MILLION DOLLARS TO THE UNITED STATES. OF THE AGRICULTURAL TARIFFS REQUESTED, THE U.S. OFFER IS FOR A 58.4 PERCENT REDUCTION

FROM AN MFN AVERAGE AD VALOREM EQUIVALENT (AVE) OF 4.7 PERCENT TO A NEW AVE OF 2 PERCENT. IN THE INDUSTRIAL AREA, COMPRISING APPROXIMATELY 13.7 MILLION DOLLARS IN 1976 U.S. IMPORTS FROM HUNGARY, THE U.S. REDUCED THE 6.9 PERCENT AVERAGE AVE TO 4.3 PERCENT, FOR A 37.7 PERCENT AVERAGE DEPTH OF CUT.

3. FOR THE 4 TARIFF LINES OF WHICH HUNGARY IS THE PRINCIPAL SUPPLIER (I.E. WHERE HUNGARY SUPPLIES MORE THAN ANY OTHER SINGLE COUNTRY), THE U.S. OFFER HAS VARIED WIDELY. THE UNITED STATES HAS MADE NO OFFER TO REDUCE THE 15 PERCENT DUTY ON MANUFACTURED PARSLEY (TSUS 161.75) BECAUSE THE PRINCIPAL SUPPLIER, HUNGARY, COULD NOT REQUEST IT (BEFORE JULY 7). FOR MEN'S AND BOY'S COTTON KNIT PAJAMAS AND OTHER NIGHTWEAR (TSUSA 380.0625), THE U.S. OFFERED A 60 PERCENT REDUCTION FROM 21 PERCENT TO 8.4 PERCENT. FOR WHISKBROOMS OF BROOM CORN, NOT OVER 32 CENTS EACH, UNDER

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QUOTA (TSUS 750.26), THE U.S. HAS AGAIN OFFERED A 60 PERCENT REDUCTION, I.E. FROM 20 PERCENT TO 7 PERCENT. NO OFFER WAS MADE ON WHISKBROOMS IMPORTED OVER QUOTA (TSUS 750.27), AN INDUSTRIAL TARIFF LINE EXCEPTED ON ECONOMIC GROUNDS. U.S. IMPORTS FROM HUNGARY OF THE ITEMS LISTED ABOVE TOTALED 465 THOUSAND DOLLARS IN 1976.

4. FOR THE 11 LINES OF WHICH HUNGARY WAS THE SUBSTANTIAL SUPPLIER IN 1976 (I.E. WHERE HUNGARY SUPPLIED LESS THAN THE PRINCIPAL SUPPLIER BUT MORE THAN 5 PERCENT OF TOTAL U.S. IMPORTS), 4 ARE AGRICULTURAL AND 7 ARE INDUSTRIAL. IN THE AGRICULTURAL AREA, UNMANUFACTURED BASIL IS DUTY FREE; CORN OR MAIZE SEED OFFER IS FROM .3 PERCENT TO ZERO; PAPRIKA'S 8.7 PERCENT DUTY HAS BEEN OFFERED A 60 PERCENT CUT TO 3.5 PERCENT; AND THE DUTY ON ADVANCED NATURAL DRUGS HAS NOT BEEN REQUESTED BY THE PRINCIPAL SUPPLIER AND THEREFORE REMAINS AT 1.5 PERCENT. IN THE INDUSTRIAL AREA, HUNGARY IS THE SUBSTANTIAL SUPPLIER OF CERTAIN TYPES OF COTTON AND WOOLEN APPAREL, GLASS, LAMPS, LEATHER GLOVES AND WHISKBROOMS OF BROOM CORN. WHISKBROOMS VALUED OVER 32 CENTS EACH ARE AN ECONOMIC EXCEPTION AND, THEREFORE, THEIR 32 PERCENT DUTY WAS EXCEPTED FROM THE TARIFF CUTTING

FORMULA. FOR THE OTHER SIX LINES COMBINED, THE OLD AVERAGE DUTY (ON AN MFN BASIS) OF 6.4 PERCENT HAS BEEN REDUCED TO 3.9 PERCENT, A 38.4 PERCENT AVERAGE DEPTH OF CUT. U.S. IMPORTS OF THE 11 LINES WERE ALMOST 56.9 MILLION DOLLARS. HUNGARY SUPPLIED 13 PERCENT, OR OVER 7.9 MILLION DOLLARS OF THIS. IMPORTS FROM HUNGARY OF THE 7 INDUSTRIAL LINES REACHED ALMOST 4.8 MILLION DOLLARS.

5. IN 1976, HUNGARY WAS THE RESIDUAL SUPPLIER (LESS THAN 5 PERCENT OF TOTAL U.S. IMPORTS) OF 194 TARIFF LINES, 131 OF WHICH WERE INDUSTRIAL LINES THAT DID NOT REPRESENT MANDATORY OR ECONOMIC EXCEPTIONS. OF THESE 131 LINES, 35 WERE OFFERED AS GREATER THAN FORMULA REDUCTIONS, 15 AS LESS THAN FORMULA AND 81 AS FORMULA. 12 WERE OFFERED FREE. CONFIDENTIAL

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THE AVERAGE U.S. DEPTH OF CUT ON INDUSTRIAL LINES WAS 34 PERCENT, BASED ON AN OLD AVERAGE MFN DUTY OF 6.4 PERCENT AND A NEW AVERAGE RATE OF 4.2 PERCENT. TOTAL U.S. IMPORTS OF THE 131 LINES WERE ALMOST 5.6 BILLION DOLLARS IN 1976, WITH ALMOST 8.5 MILLION DOLLARS (OR LESS THAN .2 PERCENT) SUPPLIED BY HUNGARY.

6. THIS INFORMATION IS CLASSIFIED AS "GATT SECRET", AND DUE TO THE SENSITIVITY OF THE OFFER, SHOULD NOT BE CITED IN CONVERSATIONS WITH PRESS AND PRIVATE SECTOR CONTACTS. FYI. THE CONFIDENTIAL NATURE OF THE U.S. OFFER SHOULD ALSO BE TAKEN INTO ACCOUNT IN DISCUSSIONS WITH THIRD COUNTRIES. END FYI. CHRISTOPHER

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